

TOP SECRET  
OFFICE OF RESEARCH AND REPORTS

15 February 1956

GRR Comments on the Disarmament Study, Task Force Study on Inspection and Control Methods, Comprehensive Inspection Plan, January 1956.  
(GRR Project No. 30.1042)

IP-429

A. Scope of Review

1. This review is restricted to the following three staff studies: (a) General Industry and Power; (b) Steel inspection and (c) Budgetary and Financial inspection. It must be concluded that the Task Force proposals for the inspection of general industry, power and steel are not adequate to serve the objectives of the Disarmament Plan.

B. Objective of Inspection System

1. As stated in the Disarmament Study the "primary objective of an inspection system is to insure against the possibility of surprise attack involving nuclear or conventional means separately or in combination and to insure the full compliance by signatory nations with agreements relative to disarmament."

2. "Surprise attack is conceived as being (a) in point of imminence, one which might occur at any time and without warning, utilizing existing capabilities, or, (b) one which might occur at some future, possible distant date utilizing capabilities resulting from technological or other advances...."

3. In view of present Soviet military capabilities and inspection of steel, general industry, electric power, and the budget, in themselves, would be of limited value in anticipating a surprise attack. It is recognized that major emphasis must be placed upon the inspection and verification of Soviet military forces and installations presently in existence. The emphasis will be especially vital in the early stages of an inspection program. However, a study of the industrial base and the Soviet budget and financial system becomes of increased importance as a safeguard against a surprise attack at some future date.

TOP SECRET

**TOP SECRET**

Such a surprise attack would be achieved through technological advances resulting in new weapons development which may not be monitored in any system which provides only for the inspection of military forces in existence. This review is, therefore, oriented toward commenting on the effectiveness of the inspection procedures in anticipating a future attack.

**C. Review Comments**

**1. Steel**

a. Appendix H states that "the primary objective of the steel element.... is to verify the agreed percentage of steel used for armament purposes and to detect any important divisions for expanded production."

b. The steel producing capacity of the Soviet Bloc is far in excess of requirements for armament purposes, as the term is understood in this context. Although confirmation of "output potentialities" is highly desirable from an intelligence standpoint, an inspection of this type would not disclose the extent to which such output is used for armament purposes.

c. It is believed, that to meet the stated objectives, the functions of the Steel Inspection Organisation should be re-oriented toward tracing output and shipments of selected products from the producing plants and, by liaison with other appropriate inspection teams, through the consuming plants. Transshipments, imports and stock-piles should also be subjected to continuing inspection. With some alloying materials, the tracing procedure should be initiated at the mine and through to the final consumer.

**2. Electric Power and Selected General Industries**

a. Information on existing (and planned) electric power facilities and production will be useful as measures of general industrial capabilities. They will not, however, provide indications of "surprise attack" nor provide "early warning". This conclusion is based on the fact that production potentialities in each of the categories are greater than requirements for "armament" or "attack" purposes.

b. It is essential to know the use pattern statistics for electric power as well as other key industries. This coupled with a close inspection of the extent of and reasons for significant expansion programs, should contribute substantially to achieving the stated objectives. This comment is especially pertinent to the general industry inspection plan.

**TOP SECRET**

**TOP SECRET**

c. The comments of the Task Force on General Industry are limited to machine tools. No detailed inspection plan is proposed. However, it is clear that the inspection of machine tool production and distribution with no provision for other metalworking equipment will be of little or no value. Moreover, the commodity or industry omissions appear to be fully as serious as the lack of a specific inspection plan for machine tools and related metalworking equipment. In order to meet the stated objectives of the plan continuous flow inspection of such strategic items as precision mechanisms, electronic equipment, and specific chemicals such as liquid oxygen and fuming nitric acid ought to be provided.

### 3. Budgetary and Financial Inspection

a. The Task Force Report correctly assesses the limited and supporting contribution which budgetary and financial inspection can make toward the specific objective of the disarmament plan. As indicated in the Task Force Report, the limitations of both budgetary analysis and the accounts verification approaches preclude the possibility of a financial inspection system comprehensive enough to detect all conceivable violations of the disarmament agreement. Furthermore, because of the serious delays implicit in the submission of statistical reports, analysis of these reports, and auditing of supporting accounts, budgetary and financial inspection would not provide either protection against surprise attack or early warning of future attack.

b. Budgetary and financial inspection would, however, constitute a desirable and useful supplement to other forms of inspection, by providing information concerning military forces and their equipment, armament production, nuclear energy and guided missile developments, as well as by furnishing an early, simple, and conspicuous test of good faith on the part of the nations subscribing to the disarmament agreement.

c. When the verification-of-accounts stage is reached, auditing of Soviet accounts should be facilitated by the concentration of data in the records of the State Bank, whose accounts and transactions mirror the structure and money flows of the entire Soviet economy. The records and reports of the Industrial Bank should also be carefully inspected because industrial and probably military construction is financed through this institution. In this connection, the Task Force Report (p. 18) gives too much weight to the significance, for financial inspection, of recent Soviet measures for administrative decentralization and reduced

**TOP SECRET**

~~TOP SECRET~~

statistical reporting from the provinces to Moscow. While a definite trend in this direction is evident, most pertinent records will still be available in Moscow.

~~TOP SECRET~~

Approved For Release 2000/06/01 : CIA-RDP79T01049A001400020001-3  
SIGNATURE RECORD AND COVER SHEET

**ATTENTION:** This form will be placed on top of and attached to each Top Secret document received by the Central Intelligence Agency or classified Top Secret within the CIA and will remain attached to the document until such time as it is downgraded, destroyed, or transmitted outside of CIA. Access to Top Secret matter is limited to Top Secret Control personnel and those individuals whose official duties relate to the matter. Top Secret Control Officers who receive and/or release the attached Top Secret material will sign this form and indicate period of custody in the left-hand columns provided. Each individual who sees the Top Secret document will sign and indicate the date of handling in the right-hand columns.

NOTICE OF DETACHMENT: When this form is detached from Top Secret material it shall be completed in the appropriate spaces below and transmitted to Central Top Secret Control for record.

Approved For Release 2000/06/01 : CIA-RDP79T01049A001400020001-3